

## CenturyLink Internet Basics Year-Five Independent Researcher Report

This fifth and final annual external review of the CenturyLink Internet Basics (CIB) program will focus on general trends and accomplishments of the CIB program during the time period beginning October 1, 2015, and ending September 30, 2016. Consistent with prior reports, this document is based on a review of company-supplied information and a brief assessment of:

- The changed program context that underlies customer interest in CIB;
- Participation in the CIB program; and
- Community-based partnerships

A detailed reporting on CIB accomplishment metrics along with annual reporting on CIB promotional activities is provided by CenturyLink in a separate report to the FCC and not duplicated in this document.

### THE CHANGED PROGRAM CONTEXT

First launched in 2011, the CIB program was designed as a product solution to bring an “affordable” basic level of broadband service to CenturyLink customers who are “Lifeline eligible” and meet certain other qualifying criteria<sup>1</sup>. Specifically to provide qualifying customers the option to choose among three price/download speed combinations: 1) 1.5 Mbps for \$9.95 per month; 2) 3 Mbps for \$14.95 per month; or 3) 10 – 12 Mbps for \$19.95 per month for the first year.

The 1.5 Mbps or 3 Mbps product offerings were consistent with the level of residential broadband service subscribed to by many customers in 2011. However, as documented in the **FCC’s 2016 Broadband Progress Report**<sup>2</sup>, residential customers’ broadband service capacity needs have continued to evolve over the past five years. Residential customers today, compared to five years ago, are much more interested in downloading/streaming videos and music; more likely to be using multiple Internet enabled devices at home, and utilize an exploding array of on-line applications. Equally important, the FCC in its 2016 Broadband Progress Report references an expanding demand for mobility among broadband Internet customers.

In short, the CIB product solution was an appropriate design to deliver an affordable broadband option for “Lifeline eligible” customers at the time it was launched. However, the FCC in its recent Broadband **Lifeline and Link Up Reform and Modernization**<sup>3</sup> order has made clear that as a result of changed market context, a more comprehensive national solution is necessary to deliver an affordable solution for “Lifeline eligible” customers consistent with today’s new

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<sup>1</sup> The full list of criteria is available on the company web site at <http://www.centurylink.com/home/internetbasics/>

<sup>2</sup> <https://www.fcc.gov/document/fcc-releases-2016-broadband-progress-report>

<sup>3</sup> Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42, Telecommunications Carriers Eligible for Universal Service Support, WC Docket No. 09-197, Connect America Fund, WC Docket No. 10-90.

market realities. Notably the recent FCC order establishes a uniform national solution to provide affordable broadband options that keep pace with the ever-changing digital landscape.

#### PARTICIPATION IN THE CIB PROGRAM

The same national market realities that led to the recent FCC ***Lifeline and Link Up Reform and Modernization*** order frame a declining CenturyLink customer interest in purchasing the lower speed tier CIB options. In January 2012, 59% of eligible CIB customers chose to purchase the lowest speed tier option available for under ten dollars per month. However, by 2016, significantly less than one-third of eligible CIB customers chose to purchase the lowest speed tier product. In fact, by September 2016 59% of CIB customers chose to purchase the highest speed-tier option (10 to 12 Mbps) for \$19.95. This is additional evidence that the FCC's recent decision to reform and modernize the Lifeline program on a national basis is timely and needed to provide lower-income customers with a lower-cost option meeting their needs.

While the total reported number of CIB eligible customer accounts ending in service (EIS) grew steadily over a period of four years (January 2012 to Oct 2015), the rate of growth slowed somewhat in more recent years. The total CIB EIS number for eligible customers peaked at 39,694 in November of 2015 and was reported to have declined to 38,272 in September 2016. Total CIB installs during the twelve-month test period (October 1, 2015, to September 30, 2016) averaged 1,317 per month. However, during that same time period, disconnects exceeded installs resulting in the net decline in CIB subscribers.

The continuing trend towards eligible customers preferring the higher speed tier option may in part explain a recent decline in customer purchases of the CIB product. Notably, priced at \$19.95 per month, the high-speed tier option available to CIB customers competes with other products available both from within CenturyLink and competing providers. This in addition to a larger trend of customers considering mobile broadband options as well.

#### COMMUNITY-BASED PARTNERSHIPS

The CIB program has continued to produce beneficial impacts through local community-based partnership initiatives. The following are several examples:

##### **Back to School Backpack Promotion**

Initially piloted in partnership with multiple community-based organizations in Florida, the CIB Backpack Back to School Program was among the most successful CIB outreach efforts. During the past year, well over 100,000 backpacks were distributed in cities served by CenturyLink. Each backpack contained spiral bound notebooks, pens, and pencils; plastic stadium cups and a mousepad and a flyer describing the Internet Basics Program. These backpack promotions were often implemented in partnership with local community based organizations and were among the most successful over the past year in reaching out to CenturyLink customers to inform them of the options available through CIB. The following are selected examples of backpack distribution events.

- CenturyLink partnered with the Boys and Girls club in Tucson Arizona to distribute more than 600 CIB backpacks as well as flyers and applications.
- Over 3,500 backpacks were distributed at back to school programs organized in partnership with local school leadership in Rocky Mount North Carolina.
- More than 2,000 backpacks were distributed in Tallahassee Florida partnering with local schools, low-income housing, churches, Boys and Girls clubs and other community-based organizations.
- Approximately 100 backpacks were distributed at an early childhood learning center in Jefferson Missouri.
- Working in partnership with local schools in Portland Oregon, CenturyLink distributed 200 backpacks.
- The company partnered with local schools, a farmers market and the YMCA in Murray Utah to give away several hundred backpacks.
- More than 700 backpacks were distributed in the Tacoma Washington region working in partnership with several community-based organizations to reach out to students in low-income neighborhoods.

### **Utah UPSTART**

The state of Utah's UPSTART program uses home-based educational technology to develop the school readiness skills of children the year before they go to kindergarten. About two-thirds of the children enrolled in UPSTART are from low-income families. Access to the Internet is critical to the families' success in the program as pre-school children must use computer based software at home. Beginning in 2014, CenturyLink implemented a partnership with the Utah UPSTART program. Specifically providing low-income UPSTART homes the opportunity to access discounted Internet service through the CIB program. According to the UPSTART web site, about 230 low-income Utah homes are currently enrolled in CenturyLinks Internet Basics program. "CenturyLink's partnership coupled with hardware cost savings, will save Utah UPSTART at least \$100,000, meaning the program could enroll upwards of 150 additional children this year."

### **HUD ConnectHome Partnership**

CenturyLink initiated a partnership with the US Department of Housing and Urban Development (HUD) to assist in bringing affordable high-speed Internet connections to low-income housing units in Seattle Washington and Denver Colorado beginning in December 2015. In Denver CenturyLink met with the Denver Housing Authority Fall of 2015 to provide an overview of the Internet Basics program available to all DHA clients. Over the past year, CenturyLink launched active engagement with the HUD ConnectHome Partnership in Seattle. This initiative in particular engaged Internet access needs of Seattle's expanding immigrant community.

For example, beginning in January 2016, CenturyLink joined with other community-based partners to help find solutions to expand Internet access to a multi-building residential estate comprised of 379 units representing a home to nearly 1,100 people. A CenturyLink sponsored computer center includes 8 laptops, 1 printer and 1 gigabit WiFi access, which is available to all residents. CenturyLink also installed WIFI in the common area, a park within the development.

CenturyLink also partnered within the community to provide training at HUD facilities in the Seattle area. Many of the training participants were members of the Seattle immigrant community and first-time computer users. A basic training on “what is a computer, what is an Internet connection and why computers and Internet connections are important” was offered. Because many attendees were non-English or limited-English speakers, CenturyLink organized translators to facilitate understanding. CIB applications were distributed and multiple CIB sign-ups were reported by the company as resulting from these trainings.

### **Other Trainings**

A total of 19 CIB community-based trainings were implemented in year 5 of the program. Because CenturyLink has met its commitment regarding training, attendance at these sessions is no longer tracked. All trainings were targeted to low-income residents and generally were implemented in partnership with local community-based organizations. Whenever possible, trainings included participation from CenturyLink retail personnel giving attendees the opportunity to purchase discounted service as well as a low-cost Apple iPad.

### **Summary and Conclusions**

As reflected in the FCC’s recent ***Lifeline and Link Up Reform and Modernization*** order, the bandwidth speed threshold required to support Internet access needs of low-income households has increased substantially from the prior target that was appropriate for residential needs when CIB was first launched back in 2011. Indeed CenturyLink’s new CIB customer subscription and retention data are consistent with the observation that most “Lifeline eligible” customers prefer purchasing a higher-speed product that delivers at least 10 to 12 Mbps download. However, priced at \$19.95 there are often a variety of alternative competitive options on the market making the CIB product less attractive to “Lifeline eligible” customers in CenturyLink’s community. Indeed for the first time since the CIB program’s inception, the number of disconnects exceeded the number of new subscriptions.

Moving into the future, a more comprehensive national solution consistent with recent Lifeline and Link Up reforms will most likely largely replace company specific solutions such as CIB. However, the national and community partnerships that CenturyLink has developed with HUD; state and local and local governments; as well as numerous community-based organizations can continue to help connect low-income families to Internet benefits.